## VIRGINIA DEPARTMENT OF MINES, MINERALS & ENERGY VIRGINIA GAS AND OIL BOARD

## Minutes and results of the November 18, 2008 Hearings

Board members present included Acting Chairperson Peggy Barber, Mrs. Katie Dye, Mr. Bill Harris, Mr. Bruce Prather, Mr. Donnie Ratliff, and Mrs. Mary Quillen.

Also present was: Ms. Sharon Pigeon, Assistant Attorney General, representing the Attorney General's Office; David E. Asbury Jr., Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board; Mrs. Sharon Hagy and Mr. Joe S. Altizer of the Division of Gas and Oil.

Pursuant to Sections 45.1-361.9.B and 45.1-361.22.B of the Code of Virginia, the Virginia Gas and Oil Board conducted hearings commencing at 9 a.m. on **Tuesday, November 18, 2008**, at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, **Abingdon, Virginia**. The board heard and took the following actions:

- 1. The Board Committee considering Post Production Cost Allowances when involuntarily "pooled", is considering a recommendation to the full Board that would prohibit deductions from royalty payments, altering paragraph 9.2 of existing and historical Board Orders. The Committee may allow comment from the Industry and public prior to a formal motion. Considerable public comment was heard by the board as well as presentations by several gas operators. Seeking additional information on this issue, the item was continued to the January 20, 2009 meeting.
- 2. A petition from Chesapeake Appalachia, LLC for re-pooling of horizontal conventional unit 826879 Knox District, Dickenson County, Virginia. Docket Number VGOB-08-0715-2287-01.

The petition seeks a **Re-pooling** all the interests and estates of the Madeline Hurley Tract 110.26 acres in the Knox District associated with horizontal conventional well and unit 826879. The applicant proposes to drill at the permitted location to an approximate depth of 8,272 feet to test for oil and gas in all Devonian Shales, including, but not limited to Big Lime, Weir, and Devonian Shale, the horizontal target being the Devonian Shale. Applicant estimates the cost for a well to this depth to be \$1,682,754. There are five tracts (tract 4 (1), tract 7 (1C), tract 8 (41), tract 17 (1), and tract 19 (1)), having a total of forty five unleased parties. There are no unknowns. There are conflicts indicated which are subject to escrow. **This petition was approved by the Board.** 

3. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit AX-131, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-08-1021-2347.

In the **Middle Ridge Field Unit AX 131, 58.74 acre unit**, the applicant controls 100.00% of the coal and 51.40% of the gas interests. The applicant seeks to pool the remaining 48.60% of the gas interests. Unleased gas acreage subject to pooling totals 28.55 net acres + / -. The petition includes provisions for the establishment of an escrow account. **This petition was approved by the Board.** 

**4.** A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BA-138, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-08-1021-2350.

In the **Middle Ridge Field Unit BA 138, 58.74 acre unit**, the applicant controls 26.69% of the coal and 67.50% of the gas interests. The applicant seeks to pool the remaining 73.31% of the coal interests 32.50% of the gas interests. Unleased acreage subject to pooling totals 42.9 net coal acres + / - and 19.1 net gas acres +/-. One well is proposed for the unit. Revised exhibit B3 and an E-2 were distributed. The petition includes provisions for the establishment of an escrow account.

This petition was approved by the Board.

5. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530058, Sandlick District, and Dickenson County, Virginia. Docket Number VGOB-08-1021-2359.

In this petition, the applicant seeks **a location exception** for drilling well V-530058. The location of Range Resources-Pine Mountain, Inc Well V-536099 lies **2,421.13** feet North-East of proposed Well V-530058; Equitable Well P-228 lies **2,030 feet** South-East of the proposed well.

This petition was approved by the Board.

6. A petition from CNX Gas, previously heard by the board, for the establishment of the drilling unit AB78CV **will be revisited** to better understand and re-define the pooling unit grid. Originally, the unit grid for Coalbed Methane was used in establishing the conventional unit for AB78CV. VGOB 08-0115-2120.

This petition and testimony was reviewed by the Board in regard to the unitization for this horizontal well. The Board approved the petition with new exhibits to be submitted following provisions of § 45.361.21 C5

... Establish the sharing of all reasonable costs, including a reasonable supervision fee, between participating operators so that each participating operator pays the same percentage of such costs as his acreage bears to the total unit acreage.

7. A petition from CNX Gas Company, LLC for **modification of the Nora Coalbed Gas Field Rules** to allow for drilling of an additional well in units K73 to K77, L73 to L77, M73 to M77, N73 to N80, O73 to O76 in the Rock Lick, District, Buchanan County, Virginia. Docket Number VGOB-89-0126-0009-36.

The applicant seeks a modification of the Nora Field Rules to **allow more than one coalbed gas well to be drilled within each of the twenty seven** (27) Nora Units Identified as K73 to K77, L73 to L77, M73 to M77, N73 to N80, and O73 to O76. These units comprise 1583.82 acres, more or less.

This petition was approved by the Board.

8. A petition from CNX Gas Company, LLC for **modification of the Oakwood I Field Rules** to allow for drilling of an additional well in units J15 to J17, K15 to K17, K21, K22, L15-L22, M15 to M22 in the South Grundy District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0325-16.

The applicant seeks a modification of the Oakwood I Field Rules to allow more than one coalbed gas well to be drilled within each of the twenty four (24) Oakwood I Units

Identified as J15 to J17, K15 to K17, K21, K22, L15-L22, and M15 to M22. These units comprise 1924 acres, more or less.

This petition was approved by the Board.

9. A petition from CNX Gas Company **for pooling of coalbed methane unit Q-81**, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2364

In the **Nora Field Unit Q-81 58.65 acre unit**, the applicant controls 37.44% of the coal and 99.13% of the gas interests. The applicant seeks to pool the remaining 62.56% of the coal interests 0.87% of the gas interests. Unleased acreage subject to pooling totals 36.7 net coal acres + / - and 0.5 net gas acres +/-. The petition includes provisions for the establishment of an escrow account.

This petition was approved by the Board.

10. A petition from CNX Gas Company for **pooling of coalbed methane unit AU-92**, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2365.

In the **Nora Field Unit AU-92 60.49 acre unit**, there are two wells, AU92 and AU92A. The applicant controls 89.24% of the coal and gas interests. The applicant seeks to pool the remaining 10.76% of the coal and gas interests. Unleased acreage subject to pooling totals 6.5 net coal and gas acres +/-. The petition includes provisions for the establishment of an escrow account.

This petition was approved by the Board.

11. A petition from CNX Gas Company **for pooling of coalbed methane unit CC-10**, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2366.

In the **Oakwood Field Unit CC-10 80.00 acre unit**, the applicant controls 80.65% of the coal and gas interests. The applicant seeks to pool the remaining 19.35% of the coal and gas interests. Unleased acreage subject to pooling totals 11.7 net coal and gas acres +/-. The petition includes provisions for the establishment of an escrow account.

This petition was approved by the Board.

12. A petition from CNX Gas Company for creation of a sealed gob drilling unit and pooling for Buchanan No. 1, SGU2, Garden District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2367.

The proposed **new Buchanan No. 1 Field Unit "SGU2"** includes **3,386.5 acre**. The applicant controls 99.91% of the coal interests and 94.07% of the gas interests. The applicant seeks to pool the remaining 0.09% of the coal and 5.96% of the gas interests. Unleased acreage subject to pooling totals 2.8 net coal acres and 200.70 gas acres +/-. The petition includes provisions for the establishment of an escrow account for conflicting claims. There are approximately 341 permitted wells in the boundary of this field unit.

This petition was approved by the Board.

13. A petition from Appalachian Energy, Inc. for pooling of coalbed methane unit H-38 (AE-206 & AE-207), Garden District, Buchanan County, Virginia. Docket Number 08-1118-2368.

In **Unit H-38, an 80.19 acre unit**, the applicant controls 98.76% of the coal interests and 100.00% of the gas interests. The applicant seeks to pool the remaining 1.24% of the coal and gas interests. Unleased acreage subject to pooling totals 0.991 net coal acres +/-. The applicant corrected the potential volume of reserves to 375 MMCF.

14. A petition from Equitable Production Company for pooling of coalbed methane unit VC-502947, Kenady District, Dickenson County, Virginia. Docket Number VGOB-08-1118-2369.

In **Unit VC-502947** (**Nora Grid BY-43**), a **58.84 acre unit**, the applicant controls 100.00% of the coal interests and 69.57.00% of the gas interests. The applicant seeks to pool the remaining 30.43% of the gas interests. Unleased acreage subject to pooling totals 17.91 net coal acres + / - . The petition includes provisions for the establishment of an escrow account for conflicting claims that includes tracts 5, 7, 8, 9, 10, and 11. The escrow will include 23.53 acres or 39.99 percent of the unit.

This petition was approved by the Board.

15. A petition from Equitable Production Company for creation and pooling of conventional gas unit V-536401, Lipps District, Wise County, Virginia. Docket Number VGOB-08-1118-2370.

In **Unit V-536401 a 112.69 acre circular unit**, the applicant controls 58.10% of the gas interests. The applicant seeks to pool the remaining 41.90% of the gas interests. Unleased acreage subject to pooling totals 47.2 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for conflicting claims that includes tracts 2 and 17. An escrow is required with the approval of this petition...

This petition was approved by the Board.

 A petition from Equitable Production Company for pooling of coalbed methane unit VC-537973, New Garden District, Russell County, Virginia. Docket Number VGOB-08-1118-2371.

In **the Nora Grid BT-88, (VC-537973) Unit of 58.77 acres,** the applicant controls 96.64% of the coal interests and 100.00% of the gas interests. The applicant seeks to pool the remaining 3.36% of the coal interests. Unleased acreage subject to pooling totals 1.98 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for conflicting claims that include tract 2. The escrow will include 2.24 acres or 3.81% of the unit.

This petition was approved by the Board.

17. A petition from Equitable Production Company for creation and pooling of conventional gas unit V-536916, Gladeville District, Wise County, Virginia. Docket Number VGOB-08-1118-2372.

In Unit (9-G-84) V-536916 a 112.69 acre circular unit, the applicant controls 99.17% of the gas interests. The applicant seeks to pool the remaining 0.83% of the gas interests. Unleased acreage subject to pooling totals 0.94 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for a conflicting claim that includes tract 9. The escrow will include 0.94 acres or 0.83 percent of the unit.

This petition was approved by the Board.

18. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-539475, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2373.

In Unit (AN-76) VCI-539475 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the coal interests and 0.00% of the gas interests by Yellow Poplar Lumber Company. The applicant seeks to pool the 100.0% of the gas interests. Unleased acreage subject to pooling totals 58.77 net gas acres + / - . The petition includes

provisions for the establishment of an escrow account for a conflicting claim that includes tract 1

This petition was approved by the Board.

19. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-539485, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2374.

In Unit (AL-78) VCI-539485 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the coal interests and 0.00% of the gas interests by Yellow Poplar Lumber Company. The applicant seeks to pool the 100.0% of the gas interests. Unleased acreage subject to pooling totals 58.77 net gas acres +/-. The petition includes provisions for the establishment of an escrow account for a conflicting claim that includes tract 1. This petition was approved by the Board.

20. A petition from Equitable Production Company **for pooling of coalbed methane unit VCI-539481**, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2375.

In Unit (AM-77) VCI-539481 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the coal interests and 0.00% of the gas interests by Yellow Poplar Lumber Company. The applicant seeks to pool the 100.0% of the gas interests. Unleased acreage subject to pooling totals 58.77 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for a conflicting claim that includes tract 1. This petition was approved by the Board.

21. A petition from Equitable Production Company for pooling of coalbed methane unit VIC-539480, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2376.

In Unit (AL-77) VCI-539480 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the coal interests and 0.00% of the gas interests by Yellow Poplar Lumber Company. The applicant seeks to pool the 100.0% of the gas interests. Unleased acreage subject to pooling totals 58.77 net gas acres +/-. The petition includes provisions for the establishment of an escrow account for a conflicting claim that includes tract 1. This petition was approved by the Board.

22. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-539476, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-1118-2377.

In Unit (AO-76) VCI-539476 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00~% of the coal interests and 0.50% of the gas interests. The applicant seeks to pool the remaining 99.5% of the gas interests. Unleased acreage subject to pooling totals 58.49 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for a conflicting claim that includes tract 1, Yellow Poplar Lumber Company.

This petition was approved by the Board.

**23.** A petition from Equitable Production Company **for pooling of coalbed methane unit VCI-539472**, Prater District, Buchanan County, Virginia. Docket Number 08-1118-2378.

In Unit (AK-76) VCI-539472 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the coal interests and 0.00% of the gas interests. The applicant seeks to pool 100.0% of the gas interests. Unleased acreage subject to pooling totals 58.77 net gas acres +/-. The petition includes provisions for the establishment of an

escrow account for a conflicting claim that includes tract 1, Yellow Poplar Lumber Company.

This petition was approved by the Board.

24. A petition from Equitable Production Company **for pooling of coalbed methane unit VCI-539491**, Prater District, Buchanan County, Virginia. Docket Number 08-1118-2379.

In Unit (AN-79) VCI-539491 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 93.64 % of the coal interests and 0.00% of the gas interests. The applicant seeks to pool the remaining 6.36% of the coal interests and 100% of the gas interests. Unleased acreage subject to pooling totals 58.77 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for conflicting claims that includes tract 1 and tract 2, Yellow Poplar Lumber Company and Levisa Coal Company respectively. This petition was approved by the Board.

25. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-538563, Prater District, Buchanan County, Virginia. Docket number VGOB-08-1118-2380.

In Unit (AO-77) VCI-538563 a 58.77 acre coalbed methane unit, (Tract T2-42) the applicant controls 100.00~% of the coal interests and 24.37% of the gas interests. The applicant seeks to pool the remaining 75.63% of the gas interests. Unleased acreage subject to pooling totals 44.45 net gas acres + / - . The petition includes provisions for the establishment of an escrow account for conflicting claim that includes tract 2, Yellow Poplar Lumber Company. This petition was approved by the Board.

26. A petition from Equitable Production Company for establishment of a provisional 235.21 acre drilling unit for the drilling of horizontal coalbed methane gas wells (Nora Grids BL 69, BL 70, BM 69 and BM 70), Ervinton District, Dickenson County, Virginia. Docket Number VGOB-08-1118-2381. Board Approved.

In Unit (BCH53110 / BCH53111) for (BL 69, BL 70, BM 69 and BM 70), a 235.21 acre provisional coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the Coal, Gas and Oil interests. The applicant seeks to establish this unit for the exploration, development and production of coalbed methane natural gas from the pool defined as the top of the Raven, including but not limited to: Middle Seaboard, War Creek, Lower Horsepen, Pocahontas 9, and all zones in communication therewith and all productive extensions thereof (the "Pool").

This petition was approved by the Board.

27. A petition from Equitable Production Company for **establishment of a provisional 235.22** acre drilling unit for the drilling of horizontal coalbed methane gas wells (Nora Grids BL 71, BL 72, BM 71 and BM 72), Ervinton District, Dickenson County, Virginia. Docket Number VGOB-08-1118-2382. **Board Approved**.

In Unit (BCH-531101 / BCH-531102) for (BL 71, BL 72, BM 71 and BM 72), a 235.21 acre provisional coalbed methane unit, (Tract T2-42) the applicant controls 100.00 % of the Coal, Gas and Oil interests. The applicant seeks to establish this unit for the exploration, development and production of coalbed methane natural gas from the pool defined as the top of the Raven, including but not limited to: Middle Seaboard, War Creek, Lower Horsepen, Pocahontas 9, and all zones in communication therewith and all productive extensions thereof (the "Pool").

28. A petition from Equitable Production Company for a well location exception for proposed well V-536401, Lipps District, and Wise County, Virginia. Docket Number VGOB-08-1118-2392.

In this petition, the applicant seeks **a location exception** for drilling well V-536401. The location of EPC proposed Well No. 505369 lies **2281.45** feet North 42 degrees 43 minutes east of proposed well V-536401. The exception is required because of the state wide spacing rule of 2,500 feet in § 45.1-361.17(A) (2).

This petition was approved by the Board.

29. A petition from Equitable Production Company LLC for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units AK-76 to AK-79, AL-76 to AL-79, AM-76 to AM-79, AN-76 to AN-79, AO-76 to AO-79 in the Prater District, Buchanan County, Virginia. Docket Number VGOB-89-0126-0009-37. Board Approved.

The applicant seeks a modification of the Nora Field Rules to allow **one** additional coalbed gas well to be drilled within each of the 58.77 acre Nora Units Identified: **This petition was approved by the Board.** 

30. A petition from Equitable Production Company LLC for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BH46 to BH48, BI46 to BI48, BJ46 to BJ48, BK46 to BK48, BL46 to BL48, BM46 to BM48, BM50, BM51, BN46 to BN48, BN50, BN51, BO51 in the Ervinton District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-38.

The applicant seeks a modification of the Nora Field Rules to allow **one** additional coalbed gas well to be drilled within each of the 58.77 acre Nora Units Identified. The unit presented in this petition is 100% leased by the applicant.

This petition was approved by the Board.

31. A petition from Equitable Production Company LLC for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BJ 79, BK 78 to BK79, BK 81 to BK 82, BL 79 to BL84, BM 80 to BM 84, BN 80 to BN84, BO 77, BO 79 to BO 84, BP 77 I n the Ervinton and Hurricane Districts, Dickenson and Buchanan Counties, Virginia. Docket Number VGOB-89-0126-0009-39.

The applicant seeks a modification of the Nora Field Rules to allow **one** additional coalbed gas well to be drilled within each of the 58.77 acre Nora Units Identified: **This petition was approved by the Board.** 

32. A petition from Range Resources-Pine Mountain Inc. for the establishment of a provisional 320 acre drilling unit for the drilling of horizontal conventional gas wells, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-08-1118-2383.

The applicant is seeking to establish a **320.00-acre** drilling **Unit** Range 2383 for horizontal conventional gas wells. Wells within the unit include VC-535673 and VC-536383 (**plus others proposed**). Applicant owns and or has a lease on 100.00% of the oil and gas interest in the entire 320.00 acre unit, thus there are no correlative rights issues. The provisional unit is for exploration, development and production of conventional natural gas from the pool defined as the top of the Mississippi-Devonian Age formations, including, but not limited to the Weir, Big Lime, Berea, Devonian Shale, and all zones in communication therewith and all productive extensions thereof (the "Pool").

33. A petition from Range Resources-Pine Mountain Inc. for the establishment of a provisional 320 acre drilling unit for the drilling of horizontal conventional gas wells, Kenady District, Dickenson County, Virginia. Docket Number VGOB-08-1118-2384. Board Approved.

The applicant is seeking to establish a **320.00-acre** drilling **Unit** Range 2384 for horizontal conventional gas wells. Wells within the unit are VC-537624 in the North and VC-537214 in the center west (**plus others proposed**). Applicant owns and or has a lease on 100.00% of the oil and gas interest in the entire 320.00 acre unit, thus there are no correlative rights issues. The provisional unit is for exploration, development and production of conventional natural gas from the pool defined as the top of the Mississippi-Devonian Age formations, including, but not limited to the Weir, Big Lime, Berea, Devonian Shale, and all zones in communication therewith and all productive extensions thereof (the "Pool").

- 34. A petition from Range Resources-Pine Mountain Inc. for a well location exception for proposed well V-530011, Ervinton District, and Dickenson County, Virginia. Docket Number VGOB-08-1118-2385. Continued to December.
- 35. A petition from Range Resources-Pine Mountain Inc. for a well location exception for proposed well V-530013, Sandlick District, and Dickenson County, Virginia. Docket Number VGOB-08-1118-2386. Continued to December.
- 36. A petition from Range Resources-Pine Mountain Inc. for establishment of a drilling unit and pooling of conventional gas unit V-530013, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-08-1118-2387. Continued to December.
- 37. A petition from Range Resources-Pine Mountain Inc for a well location exception for proposed well V-530016, Kenady District, and Dickenson County, Virginia. Docket Number VGOB-08-1118-2388. Continued to December.
- 38. A petition from Range Resources-Pine Mountain Inc. for a well location exception for proposed well V-535462, Sandlick District, and Dickenson County, Virginia. Docket Number VGOb-08-1118-2389. Continued to December
- 39. A petition from Range Resources-Pine Mountain Inc. for pooling of conventional gas unit V-535462, Sandlick District, Dickenson County, Virginia. Docket Number 08-1118-2390. Continued to December.
- 40. The Board, on its own motion, will consider the review of Virginia Gas and Oil Board Regulations for 4 VAC25-160. Docket Number VGOB 08-1118-2391.

  The Board began its review of 4 VAC 25-160 that will continue in December and January.

The Board received public comments relative to post production cost allowances in "forced" pooled circumstances under docket item 1. There were no additional public comments offered prior to adjournment.

## The Board reviewed and approved the October 2008 meeting minutes.

Information concerning the above docket items can be viewed from 8 a.m. to 5 p.m. Monday through Friday at the office of the Department of Mines, Minerals and Energy, Division of Gas and Oil, 230 Charwood Drive, Abingdon, Virginia. All questions concerning the agenda should be directed to the Division of Gas and Oil by telephoning 276-676-5423.

Special accommodations for the disabled will be made available at the hearing on request. Anyone needing special accommodations for the November hearing should contact the Department of Mines, Minerals and Energy, Division of Gas and Oil at 276-676-5423 or by calling the Virginia Relay Center TTY/TDD 1-800-828-1120 or 1140 by November 13, 2008.

The deadline for filing of petitions to the Board for the December hearing is 5 p.m. November 7, 2008 with the hearing scheduled for 9 a.m. on Tuesday, December 9, 2008 at the Russell County Government Center / Southwest Virginia Technology Conference Center, Lebanon, Virginia (Behind Wendy's).